

Digest of a Review of the Uninsured Motorist Identification Program

The Legislature established the Uninsured Motorist Identification Program in 1994. Insure-Rite Incorporated is the company the state has contracted with to administer the program. The program is funded by a \$1 dollar fee charged to vehicle owners at the time of registration. Insure-Rite is paid approximately 5.5¢ per vehicle each month to document whether the vehicle is insured. Annually, nearly \$1 million is paid to Insure-Rite to administer the program. Insure-Rite uses a computerized system to match information from the state's motor vehicle database to policy information provided by insurance companies. When Insure-Rite first began reporting statistics on Utah's uninsured motorist rate in July of 1995, they reported that 23 percent of the registered vehicles were unmatched with insurance records. Insure-Rite then reported a steady decline in the number of unmatched records over the next two years. Insure-Rite estimates that Utah's current uninsured motorist rate is about 12 percent. We were asked by Senator L. Steven Poulton to determine the accuracy of Insure-Rite's matching process and whether the program has reduced the number of uninsured drivers. The following is a brief description of the audit findings:

Insure-Rite Achieves a High Level of Matching Accuracy. We developed two tests designed to measure Insure-Rite's ability to match registration information with insurance records. In Test #1, a list of registered vehicles with documented insurance coverage was submitted to Insure-Rite. Auditors were present as Insure-Rite looked-up each vehicle on their system and reported on the vehicle's registration and insurance status. Overall, Insure-Rite achieved a 96 percent level of matching accuracy on this test, meaning 4 percent of the vehicles tested were unmatched. In Test #2, a list of vehicles with "dummy" registrations and no insurance coverage was submitted to Insure-Rite. Again, as our auditors watched, Insure-Rite looked-up each vehicle on their system and reported on the registration and insurance status. In this test, Insure-Rite achieved a 98 percent level of accuracy, but incorrectly identified 2 percent of the dummy vehicles as having insurance.

Decline in the Uninsured Motorist Rate Cannot be Confirmed or Denied. Insure-Rite reports that the number of unmatched vehicles has fallen from 23 percent in July of 1995 (the average number of unmatched vehicles during the first year of the program was about 18 percent) to an average of about 12 percent over the last year. Unfortunately, we cannot confirm or deny the accuracy of this statistic because of a lack of data from the first year of the program. Insure-Rite's contract with the state did not require that data documenting the matching results be preserved. Without an established benchmark, we cannot document whether the identification program has had an effect on reducing the number of uninsured motorists. Officials from Insure-Rite now recognize that data from the first year of the program should have been maintained and have indicated that they will begin maintaining data

for future audits.

Enforcement Measures are Lacking. Basically, Utah does not take direct enforcement action against uninsured drivers identified through its program. On the other hand, most other states with identification programs have enforcement measures built into their program such as revocation of vehicle registrations, suspension of drivers licenses, and fines. The only enforcement action taken in conjunction with Utah's identification program comes in the form of letters sent to owners of unmatched vehicles. The letters inform vehicle owners of the law requiring mandatory insurance coverage and alerts them that they have been identified as possibly being uninsured. Penalties or fines are not levied against uninsured vehicle owners identified through the program. Our review of current letter campaigns found that a large number of letter recipients appear to ignore the letters. In one test only 4% of those responding to the letters obtained insurance. More punitive enforcement measures may be needed to lower the uninsured motorist rate below its current level. For this reason we have recommended that the Legislature consider incorporating stricter enforcement measures as part of the uninsured motorist identification program. If stricter enforcement measures are not adopted, we recommend that the Legislature review whether the identification program is necessary and whether the cost of the program is justified.

Administrative Procedures Need to be Strengthened. Our review of administrative procedures that need to be improved include the state filtering out information on vehicles that have been sold or moved out of state prior to downloading the data to Insure-Rite; assigning a specialist to monitor data sent to Insure-Rite; and verify the accuracy of Insure-Rite's billing statements each month. We commended the officials from the Tax Commission for taking corrective active action on these recommendations during the course of the audit. The only other recommendation in this area calls for audits to be conducted to verify the accuracy of Insure-Rite's reports. We recommend that auditors from the Tax Commission carry out this assignment. This is because the state's motor vehicle database and the newly assigned specialist are all located within the Tax Commission.